



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

*What's In Your Retirement Portfolio:
The SEC and Your Retirement Options*

*Los Angeles Regional Office
United States Securities and Exchange
Commission*

May 2018



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

SEC Disclaimer

The Securities and Exchange Commission, as a matter of policy, disclaims responsibility for any private publication or statement by any of its employees. The views expressed in this presentation do not necessarily reflect the views of the SEC, its Commissioners, or other members of the SEC's staff.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Presentation Overview

- What is the SEC?
- Who Else is Out There?
- What Will it Cost?
- What Products Are Out There?
- How Can I Help Myself?
- How Can the SEC Help?



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

What is the SEC?



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Creation of the SEC

- *Congress created the SEC in the Securities Exchange Act of 1934 (“Exchange Act”)*
- *Created to restore investor confidence in the capital markets following the crash of 1929 and the Great Depression*



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

The Mission

The main purposes of the Exchange Act, as well as the Securities Act of 1933 (“Securities Act”), can be reduced to two common-sense notions:

- *Companies publicly offering securities for investment must tell the public the truth about their businesses, the securities they are selling, and the risks involved in investing.*
- *People who sell and trade securities – brokers, dealers, and exchanges – must treat investors fairly and honestly.*



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

The Mission

The Mission of the SEC:

- Protect Investors
- Maintain Fair, Orderly, and Efficient Markets
- Facilitate Capital Formation



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Division of Enforcement

Division of Enforcement staff:

- Investigate violations of federal securities laws
- Bring civil actions, negotiate settlements, and refer actions to DOJ for criminal enforcement
- Types of actions sought, include:
 - trading suspensions
 - sanctions against entities and individuals
 - injunctions and temporary restraining orders
 - bars against officers and directors



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Division of Trading and Markets

Establishes and maintains standards for fair, orderly, and efficient markets through oversight of the major securities participants:

- Securities Exchanges
- Securities Firms
- Self-regulatory Organizations (including FINRA)
- Clearing Agencies
- Transfer Agents
- Securities Information Processors
- Credit Rating Agencies



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Office of Investor Education and Advocacy

OIEA's duties include:

- Receiving tips, complaints, and inquiries from the public
 - Respond to questions from public
 - Refer tips when appropriate to Enforcement, OCIE, and others
 - Contact brokers to help resolve account problems
- Conducting investor education and outreach
 - Issue Investor Alerts and Bulletins
 - Create educational content, including brochures and other publications
 - Speak at conferences and seminars
- Channels of Communication
 - Investor.gov
 - SEC.gov
 - Twitter
 - Facebook
 - Press releases
 - RSS feeds
 - Speeches



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Who Else Is Out There?



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Who's Out There?

Broker-Dealers

Partners

Investment Advisers

Insurance Sales Persons

Financial Planners

General

Finders

Promoters

Broker-Dealers and Investment Advisers are regulated by the SEC, together with state regulators and self regulatory organizations.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

What is a Broker-Dealer?

Broker-dealers execute trades for customers.

They are paid commissions when you buy or sell securities through them.

Broker-dealers may make recommendations about specific investments such as stocks, bonds, or mutual funds. When they do so, they generally must:

- make suitable recommendations; and,
- follow just and equitable principles of trade.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

What is an Investment Adviser?

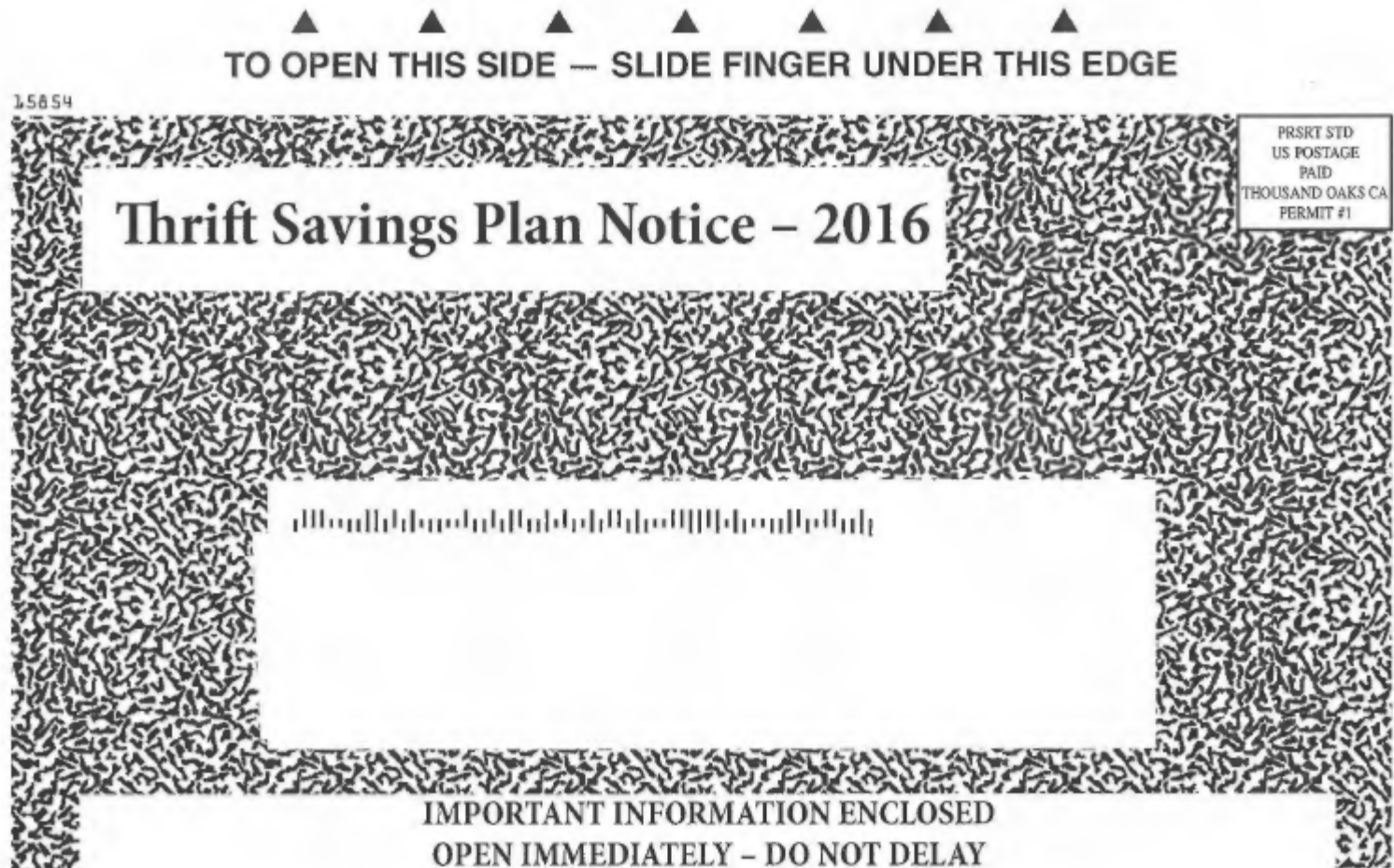
Generally, an investment adviser is a firm, or an individual, that:

- For compensation
- Engages in the business of
- Advising others (either directly or through publications or writings)
 - As to the value of securities (e.g., stocks, bonds, mutual funds, exchange-traded funds, etc.), or
 - As to the advisability of investing in, purchasing, or selling securities.



OFFICE of INVESTOR
EDUCATION and ADVOCACY

What's This?





SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Fine Print: Not Affiliated with the TSP

TSP Account Value Guarantee*

Exclusive offer for federal employees over **59½ years old, retired or nearing retirement.**

Qualifying TSP participants may be able to guarantee[†] their TSP account value. Not all TSP participants are eligible.

You may also be able to guarantee a greater lifetime income[†]. Return the postage-paid reply card today for more information at no obligation.

TSP, Annuity Rollover-related information request. A licensed representative may call or contact you. **Not affiliated with the Thrift Savings Plan or any other government entity.**

*Guarantees are based on the claims paying ability and financial strength of the issuing insurance carrier. Products distributed by independent professionals. Products, bonuses, caps and fees vary.

† Assumes rollover to qualified indexed annuity, comparison based on 'Level Payment' of TSP Life Annuity Payment option. No legal, tax, or investment advice is given.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Fine Print: Not Affiliated with the TSP

TSP, Annuity Rollover-related information request. A licensed representative may call or contact you.

Not affiliated with the Thrift Savings Plan or any other government entity.

*Guarantees are based on the claims paying ability and financial strength of the issuing insurance carrier. Products distributed by independent professionals. Products, bonuses, caps and fees vary.

¹Assumes rollover to qualified indexed annuity, comparison based on 'Level Payment' of TSP Life Annuity Payment option. No legal, tax, or investment advice is given.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Why is Age 59½ Significant?

Age-Based In-Service Withdrawals

An age-based withdrawal is a one-time withdrawal you can make at or after age 59½ while you are still employed. You must pay income tax on the taxable portion of your withdrawal unless you transfer or roll it over to an IRA or other eligible employer plan.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Another Unsolicited Mailer



FEDERAL EMPLOYEE BENEFITS SEMINARS

MARCH 4, 2017 - TARRANT COUNTY COLLEGE
SOUTHEAST CAMPUS - 2100 SOUTHEAST PKWY. ARLINGTON, TX 76018

8:30 AM - 12:30 PM FERS/CSRS Benefits Briefing
12:30 PM - 1:30 PM Lunch Break
1:30 PM - 2:30 PM Retirement Paperwork Walkthrough

Federal Benefits Specialist to cover:

- FERS/CSRS Pension
- Special Retirement Supplement
- Best Dates to Retire
- Thrifts Savings Plan Maximization

Open to all Federal Employees. Seats are limited. Register now at:
register.fedseminar.com
or call **813-333-9660**





SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Fine Print: Not Affiliated with OPM

Registration: 813-333-9660 or at register.fedseminar.com

*Government
Employee Benefits
Tampa, FL*



Employee Benefits Training Invitation Memo

CSRS | FERS | TSP | FEGLI | FEHB

Date: 1/19/2017

To: Human Resource Officer/ Training Officer

Subject: Pre-Retirement FERS/CSRS Benefits Training Event

Background: OPM – Benefits Administration Letter - 07-102

" The Thrift Savings Plan Open Elections Act of 2004 (Public Law 108-469) required the Office of Personnel Management (OPM) to develop and implement a retirement financial literacy and education strategy for Federal employees as part of the retirement training offered by OPM under 5 U.S.C. 8350.

Government Employee Benefits is not a division of OPM but provides training to agencies under the mandate required by Public Law 108-469. GEB operates under contract with individual federal agencies to provide training.

Federal Contractor CAGE:6UUR2 | DUNS: 060968074

Where

Tarrant County College - SE Campus
2100 Southeast Pkwy.
Arlington, TX 76018

When

Saturday, March 4, 2017
Seminar 1: Benefits and Retirement
8:30 a.m. to 12:30pm
Seminar 2: Retirement Form Training
1:30 p.m. to 2:30 p.m.

Government Employee Benefits is not a division of OPM but provides training to agencies under the mandate required by Public Law 108-469. GEB operates under contract with individual federal agencies to provide training.
Federal Contractor CAGE:6UUR2 | DUNS: 060968074



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Be Wary of Official Sounding Titles

Be wary of titles or designations that imply an official or vetted status. If you are approached by someone claiming to be a “licensed federal benefits coach,” “certified thrift savings plan counselor,” or something similar, be prepared to investigate. Designations such as these are not approved by any regulatory entity.

These titles suggest a partnership or affiliation with government.

- Holding meetings/trainings at federal work place
- Sending invitations for meetings/training through mail

Meaningful professional designations, brokers, brokerage firms, investment adviser representatives, and investment adviser firms can all be researched using tools provided by FINRA and the SEC.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

What Will it Cost?

AND WHY DOES IT MATTER?



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Fees

All investments have fees.

And they matter!

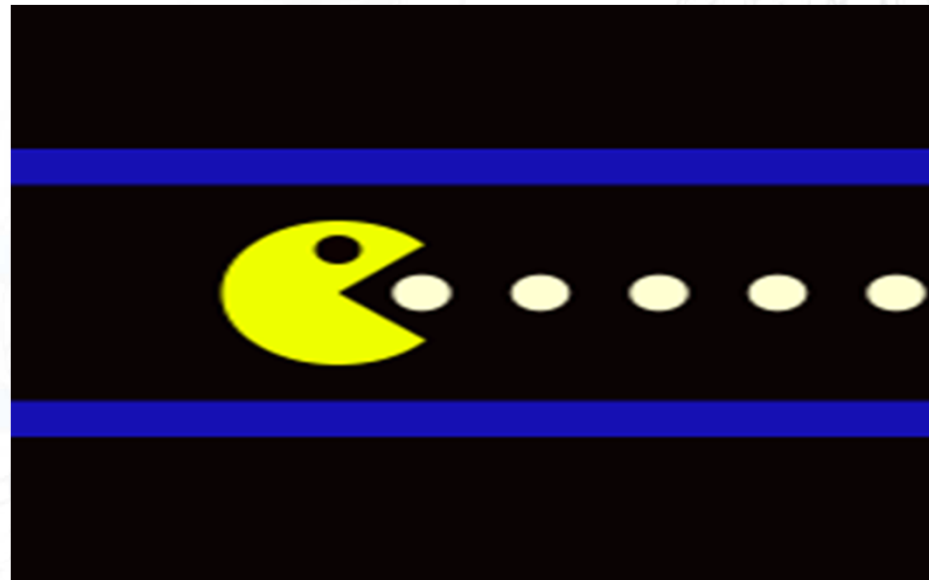


SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Fees

**These may seem small, but they
impact your investment.**





SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Understanding Fees

Fees and expenses vary from product to product.

Fees may be levied per transaction or assessed periodically as maintenance or account fees.

- Commissions charged per trade;
- Advisers charging an annual account fee;
- Mutual funds charging load fees and expense charges;
- Investments assessing surrender charges if the investment is liquidated early.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Why Fees Matter

The following chart shows a \$100,000 investment with:

- **4% annual return**
- **over 20 years**
- **ongoing fee assumptions of**
 - **0.25%,**
 - **0.50%**
 - **1%.**

Notice the impact of fees over 20 years.

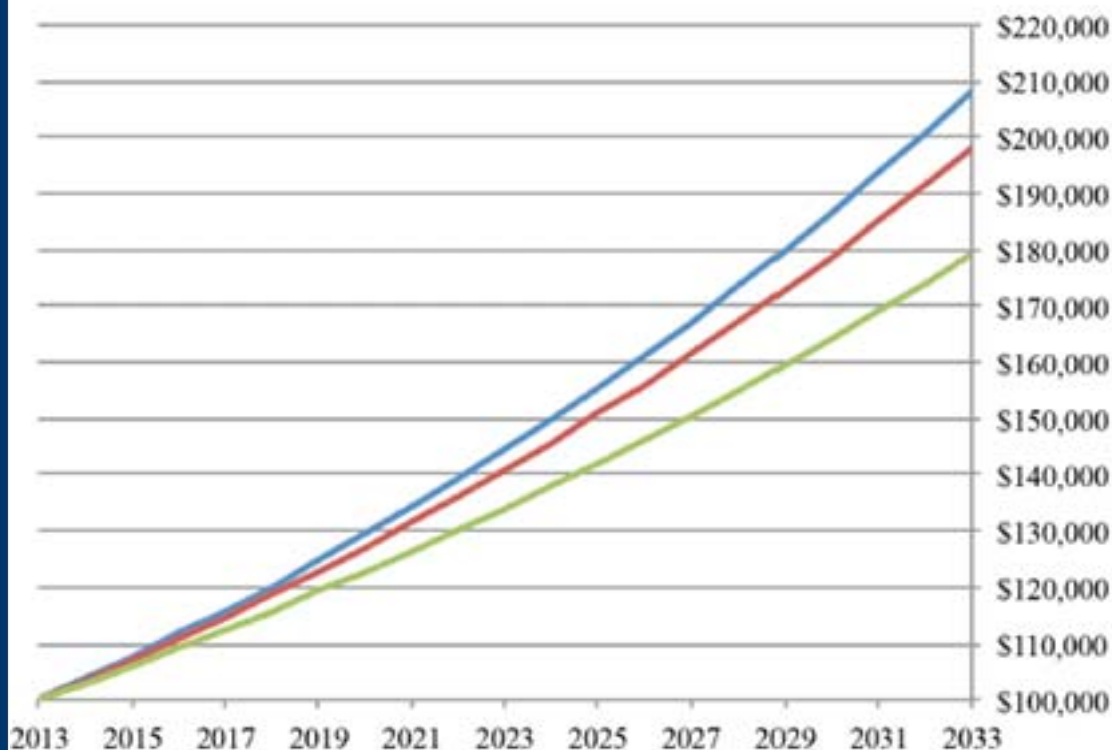


SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Why Fees Matter

Portfolio Value From Investing \$100,000 Over 20 Years



4% annual
return less
0.25% annual
fee

4% annual
return less
0.50% annual
fee

4% annual
return less
1% annual
fee

In 20 yrs, 0.50% annual fees reduce portfolio value (red line) by \$10K compared to a portfolio with a 0.25% annual fee (blue line).

In 20 yrs, 1% annual fees reduce portfolio value (green line) by nearly \$28K, compared to a portfolio with a 0.25% annual fee (blue line).

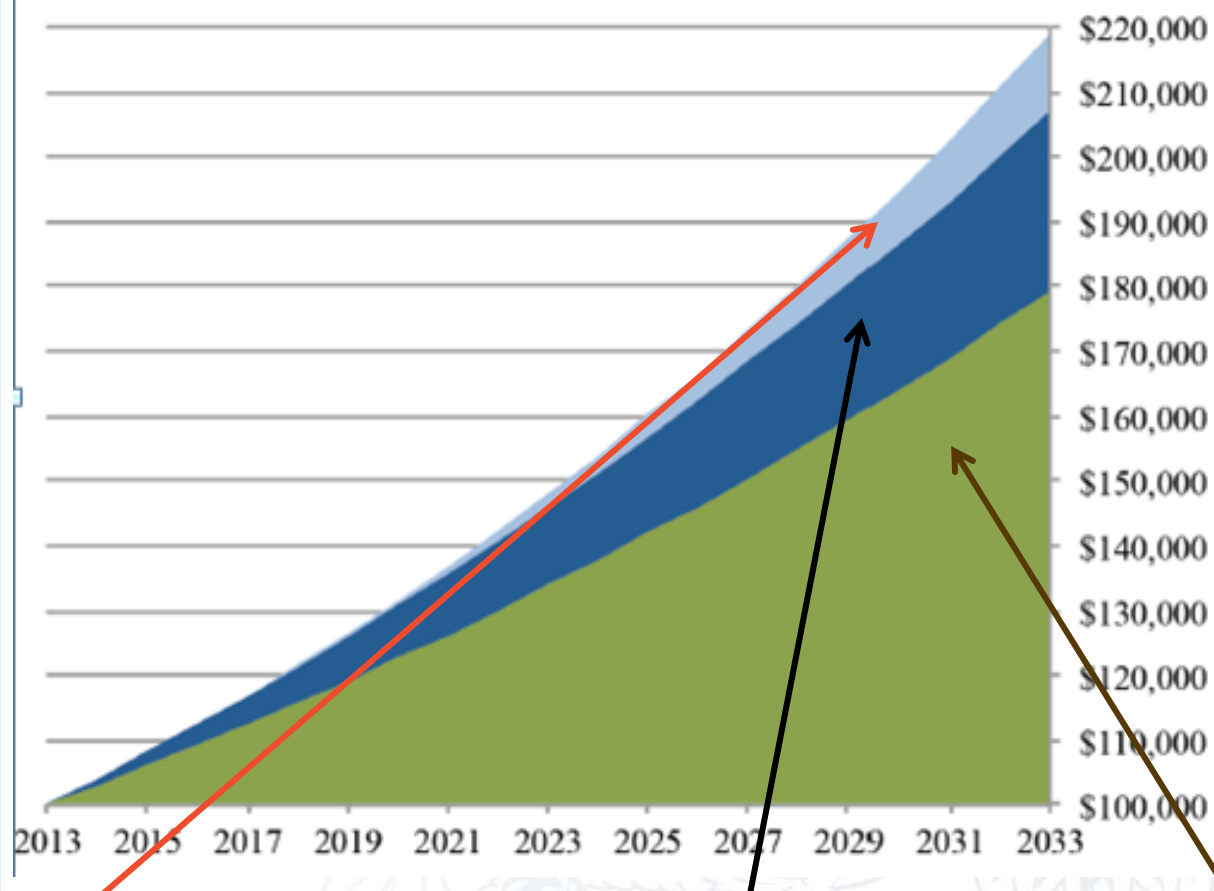


SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Why Fees Matter

Illustration of On-Going Fees Over 20 Years



In 20 Yrs, the total amount paid for a 1% annual fee adds up to almost \$28K for a \$100K initial investment

In addition, if you were able to invest that \$28K, you would have earned an additional \$12K

Additional return if the fees paid were invested.

Total Amount Paid For the 1% annual fee

4% annual return less 1% annual fee.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Why Fees Matter

Ongoing fees reduce the value of your investment because:

- your investment principal is reduced by the fee; *and*
- you also lose any return you might have earned had you invested the money used to pay those fees.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Why Fees Matter

Over the twenty years in this hypothetical, the total amount paid for a 1% annual fee is nearly

\$28,000

*If, instead of paying fees, you invested that \$28,000, you would have earned **another***

\$12,000



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Fees Reduce Your Investment





SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Five Questions to Ask About Fees

- What are the total fees to purchase, maintain and sell this investment?
- Are there ways to reduce or avoid some of these fees?
- Are there similar products that I can purchase that have lower fees?
- How much does this investment have to increase in value before I break even?
- What are the ongoing fees to maintain my account?



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

What Investment Products Are Out There?



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Fees

All investments have risks.

**Understand the risks before
you invest.**



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Investment Options

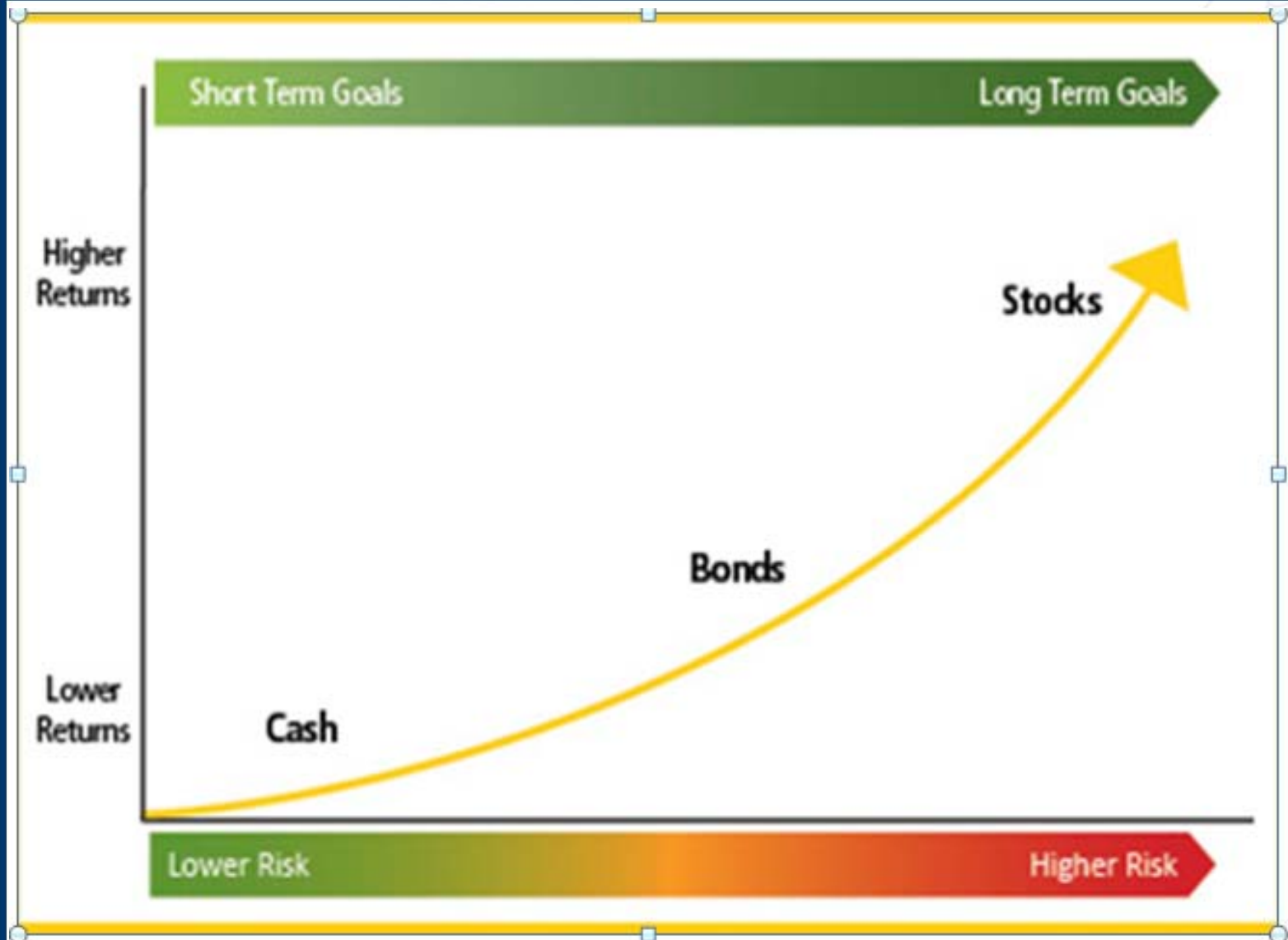
Asset Class	Cash	Bonds (Fixed Income)	Stocks (Equity)
Investment Types	Savings accounts, CDs and money market funds	Government, municipal and corporate bonds and bond funds	Stocks and stock funds
Return	Lower, but some are guaranteed	Predictable income stream	Historically, offered greatest growth
Chief Risks	Inflation, interest rate changes	Interest rate changes, default	Volatility, falling prices



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Investment Options





SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Stocks

Stocks, also called “equities,” give stockholders a share of ownership in a company

Benefits:

- Capital appreciation if share price rises
- Dividends if company distributes earnings to stockholders
- Ability to vote shares and influence the company

Risks:

- Share prices can decrease
- Companies can go bankrupt
- Money you invest is not federally insured



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Bonds

Bonds are debt securities, similar to IOUs

Benefits:

- Predictable income stream (usually pay interest twice a year)
- Return of principal after bond matures

Risks:

- Credit risk
- Interest rate risk
- Inflation risk
- Call risk





SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Types of Bonds

Corporate Bonds – Lend money to a company

- Holders do not own equity in the company
- Credit ratings: investment-grade vs. high-yield (“junk bonds”)

Municipal Bonds (“munis”) – Lend money to a government entity

- Issued by states, cities, counties and other government entities
- Fund day-to-day obligations and finance capital projects

U.S. Treasuries – Lend money to the federal government

- Issued by the U.S. Department of the Treasury
- Backed by the full faith and credit of the U.S. Government



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Mutual Funds

Companies that pool money from many investors and invest the money in securities such as stocks, bonds, and other assets.

Benefits:

Professional management	Diversification
Affordability	Liquidity

Types:

Money market funds	Bond funds
Stock funds	Target date funds

Risks:

All funds carry some level of risk – typically the same as the underlying securities



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

How Funds Diversify

While any given company or sector held by a fund may decline, others may post gains





SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Two Types of Fund Strategies

Actively-Traded Funds



Often attempt to outperform a specific market index or benchmark

Passive Funds



Attempt to track the performance of a specific market index or benchmark



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

What is a Mutual Fund?

Professional Management — In a *managed fund*, professional money managers research, select, and monitor the performance of the securities the fund purchases.

Diversification — Spreading your investments across a wide range of companies and industry sectors can help lower your risk if a company or sector fails.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

What is a Mutual Fund?

Affordability — Some mutual funds accommodate investors who don't have a lot of money to invest by setting relatively low dollar amounts for initial purchases, subsequent monthly purchases, or both.

Liquidity — Mutual fund investors can readily redeem their shares.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

What is a Mutual Fund?

You can lose money investing in mutual funds.

Mutual funds are **not guaranteed or insured** by the FDIC or any other government agency—

even if you buy through a bank and the fund carries the bank's name.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

What is a Mutual Fund?

Past performance is *not* a reliable indicator of future performance.

- Don't be dazzled by last year's high returns.
- But past performance can help you assess a fund's volatility over time.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

What is a Mutual Fund?

Costs Despite Negative Returns —
Investors must pay sales charges, annual fees, and other expenses regardless of how the fund performs.

And, depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive — even if the fund went on to perform poorly after they bought shares.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Mutual Fund Shareholder Fees

Purchase Fee — paid to the fund (not to a broker) and is typically imposed to defray some of the fund's costs associated with the purchase.

Redemption Fee — a fee some funds charge their shareholders when they sell or redeem shares.

Exchange Fee — a fee that some funds impose on an exchange (transfer) to another fund within the same fund group or “family of funds.”

Account fee — a fee that some funds separately impose on investors in connection with the maintenance of their accounts.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Annual Fund Operating Expenses

Management Fees — paid out of fund assets to the fund's investment adviser for investment portfolio management.

Distribution [and/or Service] Fees ("12b-1" Fees) — paid by the fund out of fund assets to cover the costs of marketing and selling fund shares and sometimes shareholder services costs.

Other Expenses — expenses not included under "Management Fees" or "Distribution or Service (12b-1) Fees," such as any shareholder service expenses that are not already included in the 12b-1 fees, custodial expenses, legal and accounting expenses, transfer agent expenses, and other administrative expenses.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Mutual Fund Prospectus

When you purchase shares of a mutual fund, the fund must provide you with a **prospectus**.





SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Mutual Fund Prospectus

A **prospectus** contains valuable information, such as:

- the fund's investment objectives or goals;
- principal strategies for achieving those goals;
- principal risks of investing in the fund;
- fees, expenses and past performance;
- how to redeem shares; and,
- the investment adviser managing the portfolio.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Index Funds

An “index fund” is a type of mutual fund or unit investment trust (UIT) whose investment objective typically is to achieve approximately the same return as a particular market index, such as

- the S&P 500 Composite Stock Price Index;
- the Russell 2000 Index; or,
- the Wilshire 5000 Total Market Index.

An index fund may invest in all, or in a representative sample, of the companies included in an index.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Index Funds

Passive Management

The management of index funds is more "passive" than the management of non-index funds, because an index fund manager only needs to track a relatively fixed index of securities.

This usually translates into *less trading* of the fund's portfolio, more favorable income tax consequences (lower realized capital gains), and *lower fees and expenses* than more actively managed funds.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Index Funds

The investment objectives, policies and strategies of an index fund require it to purchase primarily the securities contained in an index, so the risk of the fund is similar to the securities that are contained in the index.

Because an index fund tracks the securities on a particular index, it may have less flexibility than a non-index fund to react to price declines in the securities contained in the index.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Exchange-Traded Funds

- ETFs are exchange-traded investment products
- Like a mutual fund, investors pool their money in an ETF, which invests in stocks, bonds and other assets

Differences between ETFs and mutual funds:

- ETF shares are traded on a national stock exchange at market prices
- Expense ratios for ETFs have historically been lower
- Many ETFs publicly disclose their holdings daily rather than quarterly
- ETFs can be more tax efficient

Types:

Index-Based ETFs and Actively Managed ETFs



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Why Mutual Funds and ETFs May Make Sense

Instant Diversification:

Pools of money invested by an investment company in stocks, bonds or other securities – or some combination of those investments





SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

What is a Mutual Fund?

When it comes to investing in mutual funds, investors have literally thousands of choices.

Before you invest in any given fund, decide whether the investment strategy and risks of the fund are a good fit for you.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Picking a Fund

- How does the fund match my goals?
- What is the fund's performance over time?
- How does that compare with my risk tolerance?
- What are the fund's fees and expenses?
- Will the fund help me diversify my investments?



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

FINRA Fund Analyzer



[FINRA Home](#) | [About FINRA](#) | [Newsroom](#) | [Contact](#)



[Investor Home](#)

[Prepare to Invest](#)

[Products &
Professionals](#)

[Protect Your Money](#)

[Have a Problem?](#)

[Tools & Calculators](#)

[I Want To...](#)

Fund Analyzer

[Additional Information](#)

The Fund Analyzer offers information and analysis on over 18,000 mutual funds, Exchange Traded Funds (ETFs) and Exchange Traded Notes (ETNs). This tool estimates the value of the funds and impact of fees and expenses on your investment and also allows you the ability to look up applicable fees and available discounts for funds.

[Search](#)

[Browse](#)

[Screener](#)

[Favorites \(0\)](#)

Selected Funds



How to use this tool

- Enter the name, ticker symbol or keyword for the fund.
- Once the results appear, click on a fund to add it to your Selected Funds list.
- You can compare up to three funds from your Selected Funds list at a time.
- You can browse for funds alphabetically by clicking the Browse tab above.
- Use the Fund Screener to filter your search using standard criteria.
- Save often used funds by clicking the 'Add to Favorites' icon.

1

2

3

SHOW RESULTS

CLEAR LIST

Your use of the Fund Analyzer signifies your agreement to the [Terms and Conditions](#).

www.FINRA.org/fundanalyzer



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Annuities

What is an Annuity?

- It is a contract between you and the insurance company offering the annuity.
- There are three basic types of annuities:
 - Fixed annuity
 - Variable annuity
 - Indexed annuity



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

What is a Variable Annuity?

A variable annuity is a contract between you and an insurance company. The insurance company agrees to make periodic payments to you, beginning either immediately or at some future date.

You purchase a variable annuity contract by making either a single purchase payment or a series of purchase payments.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

What is a Variable Annuity?

A Variable Annuity allows you to select from a menu of investment choices, typically mutual funds, within the variable annuity and, at a later date—such as retirement—allows you to receive a stream of payments over time.

The value of your variable annuity will depend on how your investment choices perform.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

How is my money in a Variable Annuity invested?

You allocate your payments (during what's called the "accumulation phase") to the investment choices available through the variable annuity.

For example, you might direct 40% of your payments to a bond fund, 40% to a U.S. stock fund, and 20% to an international stock fund.

The money you direct to each mutual fund investment choice will increase or decrease over time, depending on the mutual fund's performance.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Common Variable Annuity Expenses

Variable annuities offer a range of features, but be prepared to pay extra for them. Often, they will include:

- **Surrender charges.** Withdrawals made within a certain period after your purchase payment (usually within six to eight years, but sometimes 10 years or longer) will usually have a “surrender” charge deducted from the amount you withdraw.
- **Mortality and expense risk charge.** This charge is based on the value of your account—usually around **1.25%** of the value of your account *per year*. It pays for the death benefit, and is sometimes used to pay the insurance company’s costs to sell the contract—like commissions.
- **Investment option expenses.** Expenses for the investment choices you select.
- **Charges for other features.** Special features, such as a living benefit, an enhancement to the basic death benefit, or long-term care insurance, often cost extra.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Tax Considerations

- Earnings are tax-deferred, but there are penalties for early withdrawal.
- When you take your money out, you will be taxed on the earnings at **ordinary income tax rates** rather than at lower capital gains tax rates associated with other investments, like mutual funds. In addition, you may face a 10% federal income **tax penalty** if you withdraw the money before you are 59½ years old.
- Finally, if you're putting a variable annuity into a tax-advantaged account, like an IRA or other retirement account (e.g., a 401(k) plan), you'll get no extra tax advantage.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Other Considerations

Caution!

- Bonus Credits may have a downside—like higher expenses, higher surrender charges, and longer surrender charge periods— that can outweigh the benefit.
- Consider the financial strength of the insurance company selling the variable annuity and its ability to meet its obligations to you.
- Living benefits are complex and often have limitations and conditions. For example:
 - You may be forced to select only certain investment choices, which may limit the return on your investment.
 - Withdrawals can reduce the amount that would otherwise be paid under the living benefit.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Behaviors That Undermine Performance

A Library of Congress report identified 9 behaviors:

- Active Trading
- Disposition Effect
- Focusing on Past Performance and Ignoring Fees
- Familiarity Bias
- Manias and Panics
- Momentum Investing
- Naïve Diversification
- Noise Trading
- Inadequate Diversification

See our bulletin, Behavioral Patterns of U.S. Investors, on Investor.gov



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

How Can I Help Myself?



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Tips for Investors to Help Avoid Fraud

- ☐ *Research Both the Financial Professional and the Investment Product*
- ☐ *Be Aware of Common Persuasion Tactics and Red Flags*
- ☐ *Common Investment Scams*



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Investor.gov



Investor.gov

U.S. Securities and Exchange Commission

[Contact Us](#) | [About Us](#)



[News & Alerts](#)

[Tools](#)

[Publications & Research](#)

[Outreach](#)

[Glossary](#)

[Home](#)

[Introduction to
the Markets](#)

[Investing Basics](#)

[Researching &
Managing Investments](#)

[Seniors](#)

[Life Events](#)

Check Out Your INVESTMENT PROFESSIONAL

It's a great first step towards protecting your money.
Learn about an investment professional's
background, registration status, and more.

[SEARCH THE DATABASE](#)





SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Researching Financial Professionals

- ☐ **BrokerCheck:** *BrokerCheck is a free tool to help investors research the professional backgrounds of current and former FINRA-registered brokerage firms and brokers, as well as investment adviser firms and representatives.*
 - ☐ (800) 289-9999
 - ☐ FINRA.org or www.saveandinvest.org
- ☐ **Investment Adviser Public Disclosure (IAPD) database:** *IAPD features professional background information on individuals acting as investment adviser representatives and current and former investment adviser firms.*
 - ☐ (800) 732-0330
 - ☐ SEC.gov or www.adviserinfo.sec.gov
- ☐ **State Regulators**
 - ☐ North American Securities Administrators Association NASAA.org



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Resource: BrokerCheck

[Investor Home](#)[Prepare to Invest](#)[Products &
Professionals](#)[Protect Your Money](#)[Have a Problem?](#)[Tools & Calculators](#)[I Want To...](#)

Check out your broker with BrokerCheck

FINRA oversees the people and firms that sell stocks, bonds, mutual funds and other securities. Simply type in your current or prospective broker's name to see employment history, certifications, and licenses—as well as regulatory actions, violations or complaints you might want to know about. You also can get information about your broker's firm. There's no reason not to check.

<input type="radio"/> Individual	<input type="radio"/> Firm	<input type="text" value="Individual Name/CRD#"/>	at	<input type="text" value="Firm"/>	Within 5 Miles of <input type="text" value=""/>	<input type="text" value="Zip Code"/>	<input type="button" value="Check"/>
----------------------------------	----------------------------	---	----	-----------------------------------	---	---------------------------------------	--------------------------------------

BrokerCheck can tell you...



...if a broker or brokerage firm is registered.



...what has been disclosed to regulators.



...about a broker's experience.



...about what a broker or brokerage firm is able to do.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Resource: Professional Designations Database

Use this tool to decode the letters that sometimes follow a financial professional's name. You can also see whether the issuing organization requires continuing education, takes complaints or has a way for you to confirm who holds the credential.

<http://www.finra.org/investors/professional-designations>



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Is the investment registered?

- Find out whether the company is registered with the SEC – this provides access to important information about the company.
- Investors can check EDGAR, the SEC's online database of corporate filings.
- Scams often involve unregistered offerings.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Resource: EDGAR



U.S. Securities and
Exchange Commission

[Company Filings](#) | [More Search Options](#)

[ABOUT](#)[DIVISIONS](#)[ENFORCEMENT](#)[REGULATION](#)[EDUCATION](#)[FILINGS](#)[NEWS](#)

EDGAR Search Tools

[Latest Filings](#)[Company Filings](#)[Mutual Funds](#)[Variable Insurance
Products](#)[Daily Filings by Type](#)[Boolean Archive Search](#)[Full Text
\(Past 4 Years\)](#)[CIK Lookup](#)[Confidential Treatment
Orders](#)[Effectiveness Notices](#)[Help with EDGAR
Search](#)

EDGAR | Company Filings

Free access to more than 20 million filings

We're improving EDGAR. Prefer the old page? It's still available.

Company Name ⓘ

[More Options ▶](#)

Fast Search ⓘ

Ticker symbol or CIK is the fastest way to find company filings.

Guides

How to Research Public Companies

Learn [how to quickly research](#) a company's operations and financial information with EDGAR search tools.

Filing Types

Learn which [filing types](#) contain earnings announcements, executive compensation, SEC correspondence and more.

Search Tools

CIK Lookup Tool

Look up the [central index key \(CIK\)](#) of an EDGAR filer. Searching by CIK is the most accurate way to view filings.

Save Your Search

Want to get updates on new filings? Learn how to [save your search](#) by subscribing to EDGAR RSS feeds.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

EDGAR – SEC’s free database

Company filings you’ll find in EDGAR

✓ Reports:

- | | |
|-------------------|--------------------------|
| ✓ Form S-1: | Registration Statement |
| ✓ Form 10-K: | Annual Report |
| ✓ Form 10-Q: | Quarterly Report |
| ✓ Form 8-K: | Current Report |
| ✓ Forms 3, 4 & 5: | Insider Holdings & Sales |
| ✓ Schedule 14A: | Proxy Statement |



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Ask questions before you invest



Don't be afraid to ask the financial professionals who are trying to sell you a product whether it is right for you.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Ask questions before you invest

Ask about:



gg56782270 www.gograph.com

- Fees, Expenses, Charges and Commissions
- Risk & Liquidity (don't focus solely on returns).

Keep asking until you are satisfied with their answers.
Write down the answers.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Ask Five Questions Before Investing

1: Is The Seller Licensed?

2: Is The Investment Registered?

3: How Do The Risks Compare With The Potential Rewards?

4: Do You Understand The Investment?

5: Where Can You Turn For Help?

<https://www.investor.gov/research-before-you-invest/research/five-questions-ask-before-you-invest>



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Common Persuasion Tactics Used by Fraudsters

Phantom Riches

Dangling the prospect of wealth, enticing you with something you want but can't have.



Source Credibility

Trying to build credibility by claiming to be with a reputable firm or to have a special credential or experience.



Social Consensus

Leading you to believe that other savvy investors have already invested.



RED FLAGS OF FRAUD

Scarcity

Creating a false sense of urgency by claiming limited supply.



Reciprocity

Offering to do a small favor for you in return for a big favor.





SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Common “Red Flags” of Investment Fraud

- **It sounds too good to be true:** Any investment that sounds too good to be true probably is. Be extremely wary of claims that an investment will make “INCREDIBLE GAINS” or is a “BREAKOUT STOCK PICK” or has “HUGE UPSIDE AND ALMOST NO RISK!”
- **Pressure to buy RIGHT NOW:** Don’t be pressured or rushed into buying an investment before you have a chance to think about – and investigate – the “opportunity.”
- **Lack of Documentation:** Be very skeptical of investments where the promoter will not provide written documentation.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Be Wary of Unsolicited Offers to Invest

- Investment fraud criminals look for victims on social media sites, chat rooms, and bulletin boards.
- If you receive an unsolicited message from someone you don't know containing a "can't miss" investment, your best move is to pass up the "opportunity."



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

A Few Common Scams

Affinity Fraud

- ☐ Affinity frauds target members of identifiable groups, such as the elderly, or religious or ethnic communities. The fraudsters involved in affinity scams often are -- or pretend to be -- members of the group, which may give the appearance of legitimacy to the fraud. These scams frequently involve Ponzi or pyramid schemes.
- ☐ Never make an investment based solely on the recommendation of a member of an organization or group to which you belong, especially if the pitch is made online.
- ☐ ***Be sure to check out everything – no matter how trustworthy the person seems who brings the investment opportunity to your attention.*** Be aware that the person telling you about the investment may have been fooled into believing that the investment is legitimate when it is not.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

A Few Common Scams

Pump-and-Dumps and Market Manipulation

- ❑ “Pump-and-dump” schemes involve the touting of a company’s stock (typically small, so-called penny stock or “microcap” companies) through false and misleading statements to the marketplace.
- ❑ These false claims could be made on social media such as Facebook and Twitter, as well as on bulletin boards and chat rooms. It is common to see messages posted that urge readers to buy a stock quickly, or a telemarketer will call using the same sort of pitch.
- ❑ Once these fraudsters “dump” their shares at the pumped-up price and stop hyping the stock, the price typically falls, and investors lose their money.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

A Few Common Scams

Fraud Using “Research Opinions” and Online Investment Newsletters

- ☐ While legitimate online newsletters may contain useful information about investing, others are merely tools for fraud.
- ☐ Fraudsters may lie about the payments they receive and their track records in recommending stocks.
- ☐ They may claim to offer independent, unbiased recommendations in newsletters when they stand to profit from convincing others to buy or sell certain stocks – often, but not always, penny stocks.
- ☐ *The fact that these so-called “newsletters” may be advertised on legitimate websites does not mean that they are not fraudulent.*



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

How Can the SEC Help?



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

www.Investor.gov



Investor.gov

U.S. Securities and Exchange Commission

[Contact Us](#) | [About Us](#)



[News & Alerts](#)

[Tools](#)

[Publications & Research](#)

[Outreach](#)

[Glossary](#)

[Home](#)

[Introduction to
the Markets](#)

[Investing Basics](#)

[Researching &
Managing Investments](#)

[Seniors](#)

[Life Events](#)

Check Out Your INVESTMENT PROFESSIONAL

It's a great first step towards protecting your money.
Learn about an investment professional's
background, registration status, and more.

[SEARCH THE DATABASE](#)





SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

SEC Examinations

Federal Workers as Investors



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Common Sales Pitches

- Cannot contribute to TSP after leaving Federal service
- Consolidate accounts
- Active management
- Greater diversification of investments
- Withdrawal Options



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Common Deficiencies

- Failure to Adequately Disclose Thrift Savings Plan Rollover Conflicts of Interest
- Failure to Adequately Disclose Layering of Fees
- Failure to Adequately Disclose Conflicts of Interest Arising from Revenue Sharing



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Common Deficiencies

- Unsuitable TSP Rollover Recommendations and Breach of Fiduciary Duty
- Inadequate Procedures Regarding Thrift Savings Plan Rollovers
- Failure to Enforce Procedures Regarding Supervision of Transactions



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

SEC Enforcement Actions

Federal Workers As Targets



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Federal Employees As Investors

- Target investor base
- Over 4 million federal personnel
 - 2.6 million civilians
 - 1.5 million military
- The TSP is the largest defined contribution plan with over \$430 billion in assets.



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

SEC Actions Involving the TSP

Military personnel as targets

- The SEC brought a settled administrative proceeding in 2004 finding that members of the military were targeted with misleading investment sales pitches by a registered broker-dealer whose customer base consisted almost entirely of active-duty and retired U.S. Military personnel. The SEC administrative order also found that sales materials contained misleading statements and omissions concerning the availability of the TSP to military investors.

In the Matter of First Command Financial Planning, Inc.;

Admin. Proc. File No. 3-11770; Dec. 15, 2004



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

SEC Actions Involving the TSP

The SEC brought a case in 2010 against a retirement benefits consulting firm that defrauded active and retired government employees and law enforcement agents nationwide through a Ponzi scheme that promised safe investments. The SEC alleged that Kenneth McLeod and his benefits consulting firm fraudulently solicited government employees to invest in a government bond fund that didn't exist. The SEC further alleged:

- McLeod found investors through retirement benefits seminars he gave at government agencies nationwide.
- He used these presentations to build relationships with the government employees and then solicit them when they retired to roll over their retirement accounts for him to manage through his investment adviser business.
- He offered guaranteed annual returns of eight to ten percent annually in his bond fund.
- He raised at least \$34 million from an estimated 260 investors.
- Based on his misrepresentations, some investors rolled over their retirement and savings accounts into the bond fund.

(SEC v. Estate of Kenneth Wayne McLeod, et al.; Lit. Release No. 21569; June 24, 2010)



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

SEC Actions Involving the TSP

Federal employees as targets

- The SEC filed charges against four former Atlanta-area brokers with fraudulently inducing federal employees to roll over holdings from their TSP retirement accounts into higher-fee, variable annuity products. The SEC charged an entity called Federal Employee Benefits Counselors with misleading investors with significant details about the variable annuity product, including associated fees and guaranteed investment returns. FEBC targeted federal employees nearing retirement with sizeable funds invested in the TSP.

SEC v. Keystone Capital Partners, Inc., et al.;

Civ. No. 1:17cv-02873-RWS (N.D. Ga. July 31, 2017)



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

www.Investor.gov



Home

Investor.gov

U.S. Securities and Exchange Commission

[Contact Us](#) | [About Us](#)



[News & Alerts](#)

[Tools](#)

[Publications & Research](#)

[Outreach](#)

[Glossary](#)

[Home](#)

[Introduction to
the Markets](#)

[Investing Basics](#)

[Researching &
Managing Investments](#)

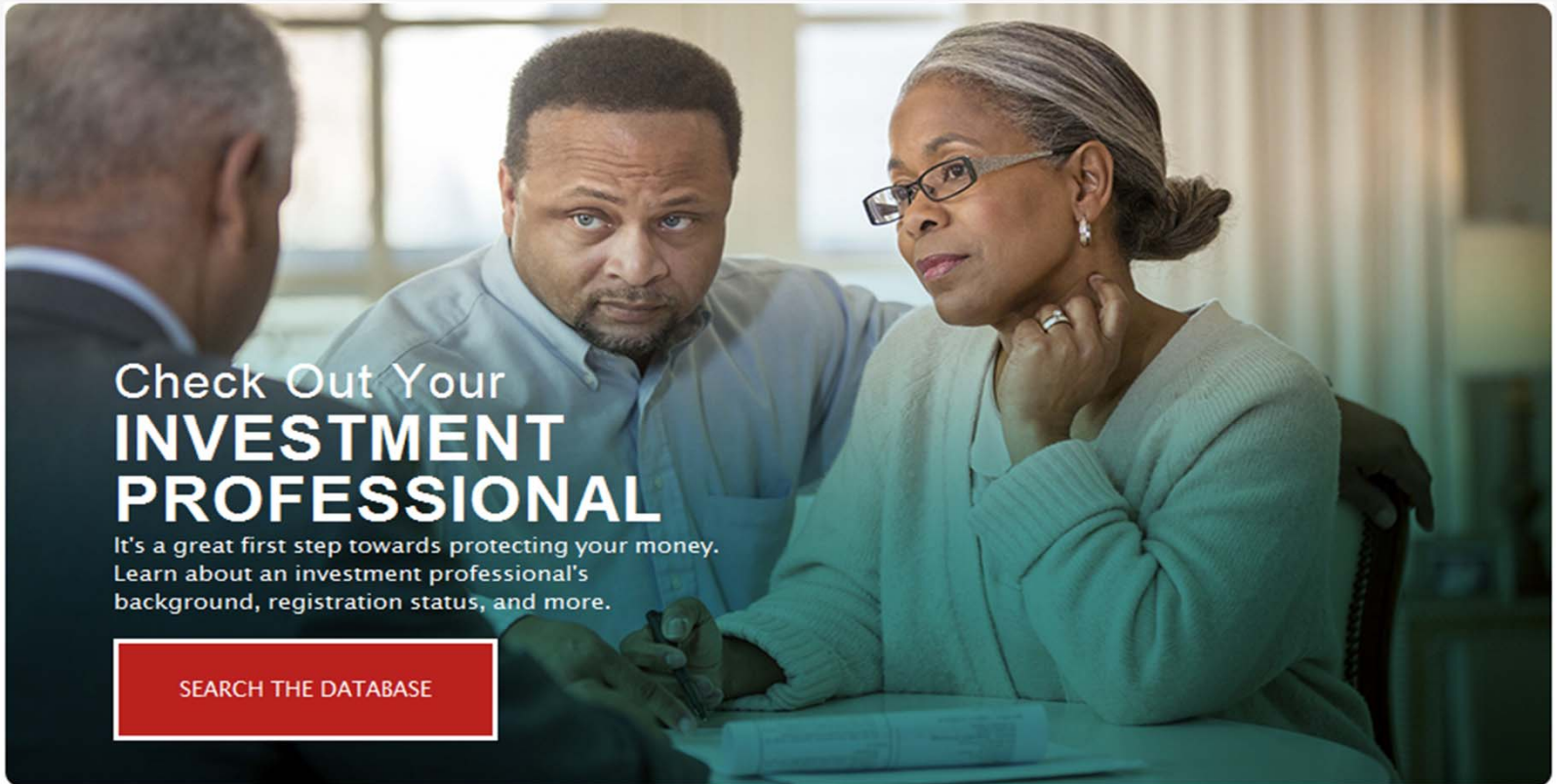
[Seniors](#)

[Life Events](#)

Check Out Your INVESTMENT PROFESSIONAL

It's a great first step towards protecting your money.
Learn about an investment professional's
background, registration status, and more.

[SEARCH THE DATABASE](#)





SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

SEC Contact Information

Websites:

www.SEC.gov

www.Investor.gov

Twitter:

@SEC_Investor_Ed

Facebook:

www.facebook.com/secinvestoreducation

LARO:

Complaint and Inquiries Branch
Los Angeles Regional Office
U.S. Securities and Exchange Commission
444 South Flower Street, Suite 900
Los Angeles, CA 90071
(323) 965-3998
losangeles@sec.gov



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Questions?

